

VZCZCXRO7740
OO RUEHPA
DE RUEHOS #0073/01 0361044
ZNY CCCCC ZZH
O 051044Z FEB 07
FM AMCONSUL LAGOS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8451
RUEHZK/ECOWAS COLLECTIVE PRIORITY
RUEHUJA/AMEMBASSY ABUJA PRIORITY 8282
INFO RUEHWR/AMEMBASSY WARSAW 0112
RUEHCD/AMCONSUL CIUDAD JUAREZ 0092
RUEHIT/AMCONSUL ISTANBUL 0099
RUEHSO/AMCONSUL SAO PAULO 0113
RUFOADA/JAC MOLESWORTH AFB UK
RUEKJCS/SECDEF WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 000073

SIPDIS

SIPDIS

DOE FOR GPERSON, CGAY
TREASURY FOR ASEVERENS, SRENENDER, DFIELDS
COMMERCE FOR KBURRESS
STATE PASS USTR FOR ASST USTR FLISER
STATE PASS TRANSPORTATION FOR MARAD
STATE PASS OPIC FOR ZHAN AND MSTUCKART
STATE PASS TDA FOR NCABOT
STATE PASS EXIM FOR JRICHTER
STATE PASS USAID FOR GWEYNAND AND SLAWAETZ

E.O. 12958: DECL: 01/26/2017

TAGS: [EPET](#) [ELAB](#) [ASEC](#) [PTER](#) [CASC](#) [NI](#)

SUBJECT: WILLBROS PLANS TO LEAVE NIGERIA, LABOR DISPUTE
CONTINUES

REF: A. LAGOS '06 1276
[1](#)B. LAGOS '06 1358

LAGOS 00000073 001.2 OF 002

Classified By: Consul General Brian Browne for Reasons 1.4 (B,D)

[1](#)1. (C) Summary: Due to myriad challenges, ranging from labor difficulties to diminution of business caused by militant activity in the Delta, U.S. oil service contractor Willbros plans to exit Nigeria by March. The company executives hope to sell its Nigerian subsidiary to Ascot Drilling. The Economic and Financial Crimes Commission (EFCC) has asked to see company executives but have not stated why or provided a date certain for the interview. Attrition of workers support for protracted labor strike has enabled Willbros to resume truncated operations at its troubled Choba I site. End Summary.

WILLBROS EXIT STRATEGY: SALE TO ASCOT

[1](#)2. (C) On January 24 Willbros corporate counsel Jeff Faludi told the Consul General Willbros is negotiating the company's sale to Ascot Drilling, a Nigerian company, and hopes to consummate the deal by March. Two other Nigerian buyers are interested and Willbros will look to them should Ascot be unable to provide the necessary financing to buy the company, Faludi said. Instead of the normal transitional period built into buy-out agreements in the oil service industry, Willbros plans to turn everything over to the buyer the day the contract is signed. By taking this approach, Willbros sought to avoid being in the gray area where they still maintained some degree of legal ownership although the concern was being increasingly managed by a foreign firm not constrained by the

dictates of U.S. corporate law. After its recent legal woes in the states, the last thing Willbros needed was to face potential legal problems in the U.S. because of the acts of the purchaser, Faludi stressed.

13. (C) Faludi added the Economic and Financial Crimes Commission (EFCC) has asked to meet them but has not given a date nor reason for the meeting. Faludi mentioned a few GON officials and some private Nigerians, who know Willbros is attempting to pull out, have attempted to extract "special fees" from the company. He suspected the EFCC overture might be of the same genre. Willbros agreed to notify us if the EFCC did finally schedule a meeting.

WILLBROS IN NEGOTIATIONS TO RESOLVE LABOR DISPUTE

14. (C) According to Faludi, in mid-December Willbros met both national and local members of the National Union of Petroleum and Natural Gas Workers (NUPENG) to discuss amending a May 2006 collective bargaining agreement the company claimed would bankrupt it. (Ref A) However, NUPENG local members basically scuttled the meeting by serving Willbros with notice of a lawsuit against Willbros for non-performance of the collective bargaining agreement. The NUPENG national organization, embarrassed by the local's action, immediately canceled the national organization's fuel embargo against Willbros. Willbros then fired the local members responsible for the lawsuit. Meanwhile, the strike action against Willbros is attenuating. Many of the workers have returned; those who have not are not getting paid. The reduced work force and lower labor costs suits the company just fine. Due to militant unrest in the Delta, work projects have dwindled. Thus Willbros does not need the normal complement of workers. Ironically, the strike has turned into a cost savings blessing, Faludi stated. Consequently,

LAGOS 00000073 002.2 OF 002

Willbros is not in a big hurry to end the labor dispute. They would prefer the status quo until they have consummated the sale of the company.

15. (C) Regarding the sale, Willbros will retain the contracts and the goodwill associated with the name and the buyer will be allowed to use the Willbros name for two years. Also, the buyer will retain a small cadre of expatriate technicians to help with the specialized work for which the local work force is not adequately trained.

COMMENT

16. (C) Although it has faced challenges unique to it, Willbros also has faced many challenges that are universal in the oil service sector. Work had been reduced, profits squeezed and insecurity is a growing concern. While we do not know of any other oil service companies pulling up stakes, many companies are streamlining operations to fit this tough new environment. Should the level of insecurity and of work remain as is for the indefinite future, other companies might begin to follow Willbros's lead. End comment.

BROWNE